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ABSTRACT

The history and development of federal student aid policies for higher education are examined in this paper, along with how current policy affects institutions at the campus level, and current and future policy options from which federal and institutional policies will be drawn. The historical analysis concerns the initial federal policy after independence, major policies beginning in 1857, new policy initiatives after World War II, developments in the mid-fifties and sixties, and the 1972 Education Amendments and subsequent legislation. Factors in current federal aid policies that may affect the composition of student bodies at higher education institutions are the criteria for allocation of student aid and the requirements of student loan programs. Federal aid to students also means that the colleges and universities must maintain records, submit evaluations, use certain bookkeeping standards, and comply with other regulations. Federal student aid programs help to make profitmaking colleges more competitive, may result in the need for changes in curricula to meet the needs of lower socioeconomic students, penalize the most expensive and the moderately priced institutions, and may affect college costs. Three current policy alternatives--the 1978 Carter proposals, the tax credit proposals, and direct institutional aid--are discussed in terms of their implications for social policy, higher education as a whole, individual institutions, and students. (SW)

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Federal Student Aid Programs

A Briefing Paper on Impacts and Policy Options

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I: HISTORICAL PERSPECTIVES AND CONTEMPORARY POLICY

Introduction

The head-on collision in Washington between proponents of tax credits and advocates of expanded existing student financial aid programs has focused national attention on higher education to a degree uncommon in recent years. Financial relief for middle-income families hard hit by rapidly rising college costs--a matter of growing concern over the past decade--now appears to have advanced to a position on the national agenda that is perhaps higher than at any time heretofore. The current contest pits the President and his administration, as advocates of a $1 billion dollar increase in Basic Educational Opportunity Grants, against formidable Congressional momentum, especially in the Senate, in support of relief via tax credits. Even more dramatic, the administration's proposed budget for the 1979 fiscal year (roughly corresponding to the 1978-79 academic year) calls for an unprecedented increase in student financial aid programs from $3.8 billion in the current fiscal year to $5.2 billion--an increase of about 40 percent at a time when most federal programs are struggling to keep up with inflation.

Whatever the outcome, the debate serves to illustrate the escalating importance of the federal role in this policy area. Furthermore, had this debate not developed at this time it would be happening soon in any case, as budget authority for the major student assistance programs expires in 1979. The current debate and impending renewal serve well to underscore the need to re-examine the rationale and effectiveness of existing federal policy.

Both the size and type of the federal expenditures make an understanding of current federal policy toward higher education an imperative for the post-secondary education community. Colleges and universities in the United States are already dependent upon the federal government for upwards of 30 percent of their operating budgets each year; further budget increases can only increase that dependence.* This paper is designed to provide a brief background look at the history and development of federal policies toward higher education, a look at how current policy impacts on institutions at the campus level, and some sense of the policy options available now and in the future from which federal and institutional policies will be drawn.

I. History and Development of Federal Policy With Respect to Higher Education

The major programs of the federal government that involve higher education have for the most part been enacted in the three decades since the end of World War II. Federal action during that period of national emergency was the direct antecedent of the subsequently expanded policies that currently exist within the higher education segment of the national economy. However, federal involvement in higher education has roots that begin in the earliest years of the history of the United States. Each succeeding period of the history of this country has seen increasing federal involvement in matters that concern higher education.

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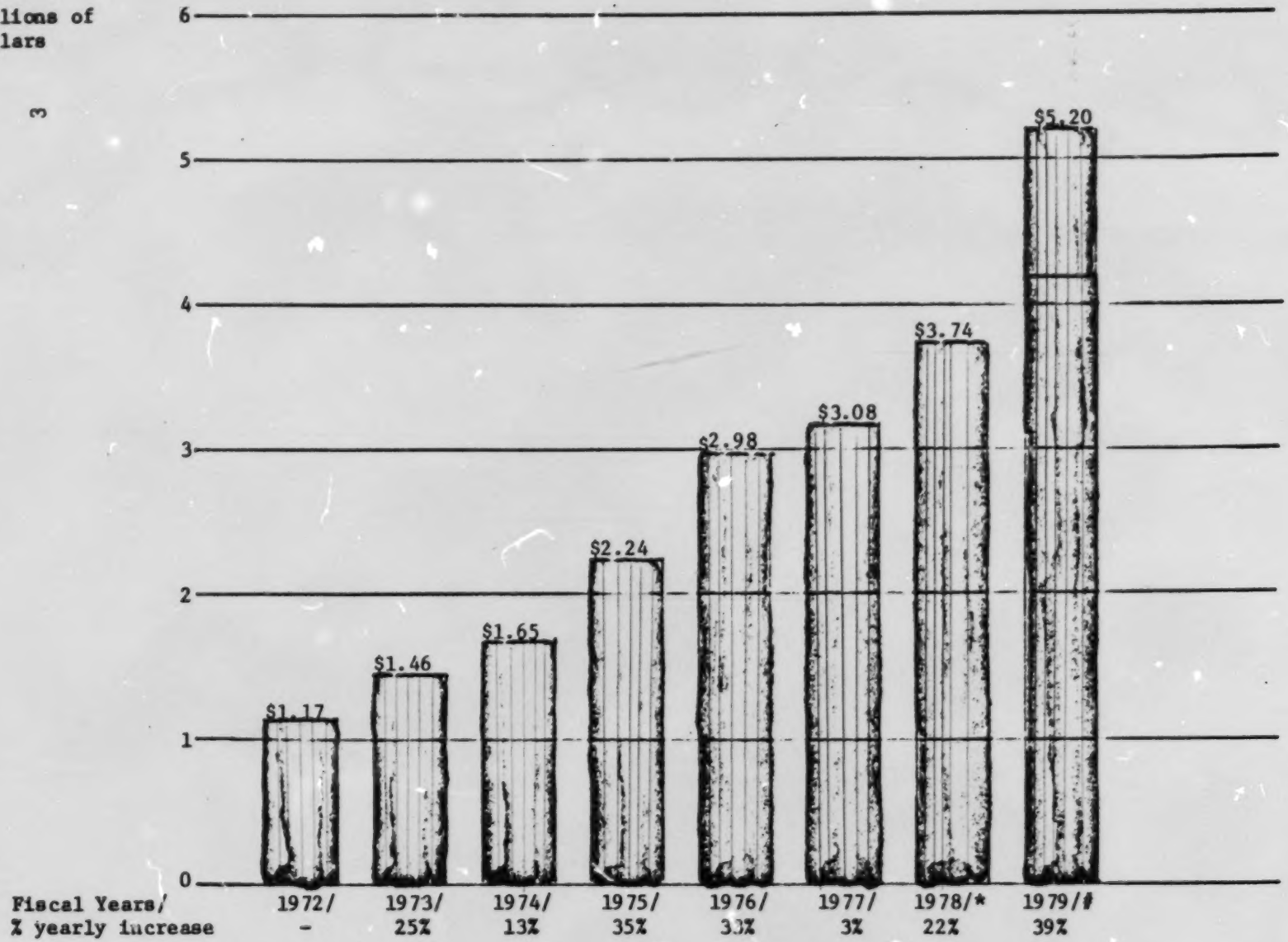
Federal Student Aid Appropriations
Office of Education Programs



*Estimated includes supplemental requests
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Source: Chronicle of Higher Education

It is difficult to pinpoint the exact beginnings of the federal involvement in higher education, although historians suggest several specific events that seem to portend what has now become a pattern of relationships between higher education and the federal government.

When higher education in the United States began in 1636 with the founding of Harvard College, the General Court of the Massachusetts Colony appropriated four hundred pounds toward the establishment of the college, thus setting perhaps the first precedent toward governmental support of higher education. By the beginning of the Revolutionary War there were sixteen colleges in the colonies; most of these colleges, though private, received some funding from the various colonial governments and/or the British government. (1)

Initial Federal Policy After Independence

When independence was achieved, education was one concern of the newly forming federal government. Washington, Madison, Franklin, Adams and others all urged some provision for federal support of higher education and/or the creation of a National University during the Constitutional Convention of 1787. Such a proposal was not then adopted, although it continued to be reintroduced in the Congress for the next 150 years. (2) Instead of founding a federal university, the framers of the Constitution bequeathed to Congress the conception that such an institution might be set up in the District of Columbia. This conception was never realized. But in place of it, a multitude of federal and state programs and legislation developed which spawned the pluralistic system of institutions and support that currently exist.

The first specific piece of legislation affecting higher education occurred in 1787, while the federal government was still acting under the Articles of Confederation. The Ordinance of 1787 provided a grant of land for the support of a university in the Northwest Territories; eventually this legislation resulted in the founding of Ohio University in Athens, Ohio. Similar grants endowed universities in all but three of the states subsequently admitted to the union. (3)

After the constitution was adopted and ratified in 1788, and the Bill of Rights incorporated within it in 1791, it was generally assumed that through the provisions of the tenth amendment (leaving to the states all those powers not declared as the domain of the federal government) the states would have sole responsibility for education, including higher education. In general this assumption has resulted in the continued state and local control of most public education. But another assumption--federal responsibility for defense and welfare--has served as the foundation of federal policies affecting higher education. Education has been and continues to be a function and a cause that can be argued with equal merit as a power reserved for the states and a matter of national welfare.

Somewhat sporadically other federal actions followed the continued granting of land to new states during the next 60 years. In 1802 the U. S. Military Academy was founded at West Point, to be followed in 1845 by the U. S. Naval Academy at Annapolis. The practice of contracting for research was first established in 1830 when the Treasury Department contracted with the Franklin Institute of Philadelphia for an investigation of the causes of explosions in steam boilers.

First Major Federal Policies

Beginning in 1857 federal involvement in the more direct support of education became an issue with the introduction of a bill that was to become known as

the Morrill Act. Though the object of much debate in the pre-Civil War Congress, when the bill was ultimately passed in 1859 it was vetoed by President Buchanan. Passed again by the Congress in 1862, it was signed into law by President Lincoln. This act is generally regarded as the first direct federal involvement in higher education. In reality, it was the culmination of earlier, more limited involvements.

The passage of the Morrill Act signaled the beginning of major federal involvement in higher education. It lead to the establishment of 69 colleges and established precedent for federal involvement in several aspects of higher education. Land Grant Institutions were mandated to carry out research that was practical in nature, and they were responsible under provisions of the act for making reports to the federal government. States were also obligated under the terms of the act to pass legislation pledging acceptance of stipulations in the Morrill Act that included continued state support of the institutions created under it. Continued state support, annual reports to the federal government and a Department of Education created as a part of the Interior Department to receive those reports, along with the creation of an interest group lobby were all direct outcomes of the Morrill Act. (5)

Once this precedent was established, other legislation that expanded the federal role followed. In 1887 the Hatch Act provided direct money to the states to fund practical research, for the most part in agriculture, at the land grant colleges. In 1890 the second Morrill Act provided for the first time funds for instruction; federal supervision of such funds, continued control, and accountability provisions accompanied the granting of funds. The Adams Act of 1906

expanded the provisions of the Hatch Act and provided specified coordination by the federal government for research thus funded. (6)

Continued concern for the national defense also generated continued federal involvement in higher education. In 1893 an Army Medical School was established, followed in 1901 by the Army War College, both postgraduate institutions where officers received advanced training. In 1916, just prior to America's entrance into World War I, the National Defense Act was passed, establishing the Reserve Officer Training Corps at numerous colleges and universities. In 1920 this act was amended to decrease the R.O.T.C. in size, but the principle of a close relationship between military and civilian institutions had been established. Also established at the close of World War I was the first of a series of acts to aid veterans of national service. The Vocational Rehabilitation Act of 1918 was intended primarily to enable veterans to find gainful employment, but there were small educational components, and a precedent was once again established.

The downward trends of American economic life in the 1930's actually brought some benefits to higher education. Few young people could find jobs and, therefore, attended colleges in greater numbers. Legislation passed to ease the effects of the economic depression were not specifically aimed at helping higher education, but the College Student Work Program of the National Youth Administration did provide jobs for students which allowed them to continue their education at participating colleges. Fifteen hundred colleges participated in this program and some 620,000 students were aided in this way. In 1937, the National Cancer Institute Act provided Public Health Service Fellowships for graduate students in the first of a series of federal programs to aid medical research and graduate

education. Other significant aids to education during the depression included the Reconstruction Finance Corporation, which made some federal loans to colleges for capital construction, and the Public Works Administration which was a significant source of funds for construction and remodeling at public colleges. (7)

New Policy Initiatives and Major Funding of Federal Programs

As World War II brought the United States out of the depression, it also brought major new policy initiatives on the part of the federal government affecting higher education. Using precedents established over the previous 150 years, the federal government made massive new investments in programs supporting research and training at colleges and universities. These programs adopted during the war had the effect of setting a pattern for almost all subsequent federal programs affecting higher education up to the present. Research of all types was increased by a factor of ten thousand over pre-war levels; and funding of both defense related and basic research was to continue after the war ended. With the passage of the National Science Foundation Act of 1950, a continued commitment of federal support for research was enacted, and although the level of that commitment has varied somewhat, it continues in effect today.

The Servicemen's Readjustment Act of 1944 (popularly called the G. I. Bill of Rights) provided federal funds to veteran students and institutions on a scale previously unknown. By June of 1949 the Veterans Administration had expended just over 4 billion dollars for students in higher education, with two-thirds going directly to students and their families and the rest going to institutions. Subsequent renewals of legislation aiding veterans were not quite so generous, and direct institutional aid was eliminated. But significant programs to aid students had

been enacted, and programs of this general type were to expand into the programs of today. (8)

National Defense, Social Demand and Increased Federal Involvement

After the postwar crush of students had subsided by the mid-fifties, a process of review was begun by a number of private and public commissions designed to assess the performance of American higher education. Most of the research recommended further expansion and improvement of higher education facilities and programs, particularly those designed to train scientists and teachers. Congress at this time however was expressing a reluctance to enter areas traditionally reserved to the states for fear of exerting too much federal control over higher education. (9) The appearance in 1957 of Sputnik I and II, the first Soviet space satellites, provided a sharp prod to the Congress and gave emphasis to the reports suggesting improvements in higher education. Out of a multitude of proposals emerged the National Defense Education Act of 1958, passed as an emergency defense measure to avoid the issue of direct federal control of higher education. This act provided for large amounts of federal funds to be made available as low interest loans to students, graduate fellowships for those interested in college teaching, and funds to institutions for the expansion and equipping of facilities for teaching science and mathematics. Passage of the NDEA Act of 1958 marked the beginning of the current trends in federal support of higher education. Programs to improve student access, to upgrade the quality of institutions and of instruction, and to enlist education in achieving national goals all started with this act and were to be expanded by subsequent legislative actions. (10)

The decade following 1960 saw new social pressures for equalizing opportunities for all citizens to participate fully in American society. Education in its entirety came to be seen as a key element in the drive for social equality. As a consequence, much more public policy attention focused upon it as a social institution. Along with these societal pressures, higher education also had to meet the largest demand for facilities as the post-war generation of children matured and entered college.

Congress was still concerned with the issue of federal control of education through funding, and this prevented enactment of legislation for the early years of the decade. Resolution of this issue of control through funding finally took place in the arena of elementary and secondary education. The passage of the Elementary and Secondary Education Act of 1965 finally cleared away the legislative logjam over control with a decision that aid to states and schools provided for more equal opportunity for all citizens and thus was more urgent than the issues of control over schools and church-state separation which had prevented passage of earlier education bills.

Congress first passed programs to increase facilities in higher education. The Higher Education Facilities Act of 1963 provided federal grants and loans to public and private colleges for the construction of new academic facilities.

Subsequent to the passage of the Elementary and Secondary Education Act of 1965 and the resolution of several issues that had restricted education legislation for several years, the Congress passed additional bills affecting higher education. The Higher Education Act of 1965 vastly increased the student aid provisions of federal legislation. In addition to the expansion of the National Defense

Education Act loan program, the act also established a program of Guaranteed Student Loans. This increased the amount and sources of funds available to students by offering federal guarantees to private banks making loans to students. In addition, the act made the first provisions for general federal scholarships to undergraduate students through the Educational Opportunity Grant program. The first federal Work-Study Program was also established. All of these programs have since been extended and expanded by subsequent legislation. The federal role in supporting higher education has indeed grown in the years since these programs and their precedents first began during World War II.

Legislation Defining Current Policy

As the decade of the 1960's ended, higher education, which had enjoyed unprecedented growth and development for a dozen years faced a new series of problems. Rapid expansion had left institutions unprepared for shifts in federal policy. A decrease in the funding of research projects and curtailment of some programs of federal assistance coupled with a period of steep inflation and overall escalation of the costs of goods and services in the society left higher education with rapidly increasing costs and decreased opportunities to meet them. Tuitions increased, especially in the private sector; but even some previously tuition-free public campuses added it, and in almost all cases fees were increased to cover increased costs. Student protests over the war in Vietnam and other social concerns did not ease the task of universities seeking increased funds from traditional state and private sources. A republican administration in Washington, D.C. also sought to reduce overall federal expenditures as a means of controlling inflation. After more than a decade of growth, higher education in a relatively short period of time was feared to be entering a "new depression." (11)

As the income of institutions decreased, tuition and fees increased as the one source of income controlled by colleges and universities; thus the previous decade's initiatives and concern for equal access to higher education were in danger of collapse due to relentlessly rising costs. The federal government, having taken significant policy initiatives to support higher education in the past decade, was looked upon to continue and perhaps expand federal involvement.

A variety of legislative initiatives were introduced in the Congress. The thrust of the various proposals took two major directions: federal aid to institutions or federal aid to students, although other proposals for increased aid to states and possible tax credits were considered without much success. Conflicting cases were made for each of the major policy options and over a period of several years a compromise package of proposals was worked out which emerged from the Congress as the Education Amendments of 1972. (12) This diffuse legislative package included the extension and expansion of several existing programs, along with the establishment of a major new program of federal aid to students. It remains, as the decade of the 1970's draws to a close, the single most important legislative piece and the keystone of existing federal policy toward higher education. The gradual increases in appropriations for provisions of this legislation, coupled with recently announced plans by the Carter administration to expand major elements of the existing policy highlight the importance of this legislation in studying the impact of federal policy on higher education.

The 1972 Education Amendments and Subsequent Legislation

Basically the provisions of the 1972 Education Amendments extended and expanded several existing federal programs of student aid, and established one very

significant new federal program--the Basic Educational Opportunity Grant--and several smaller programs. The B.E.O.G. program was intended as a foundation for all subsequent federal student aid programs. As originally envisioned, the B.E.O.G. would provide every student with at least $1,400 through a combination of family resources and federal aid. The grant could not exceed more than 50 percent of the cost of attendance at a particular institution but could be supplemented by funds from other federal programs of grants or loans, and/or by state or institutional programs.

Along with the B.E.O.G. program, the 1972 Amendments reauthorized the Educational Opportunity Program from the 1965 Higher Education Act; it was renamed the Supplemental Educational Grant Program and was intended to make additional funds available to students from poor families. The 1972 Amendments also continued the College Work-Study Program, providing matching funds for the employment of needy students on campuses. The National Direct Student Loan Program was continued, as was the Guaranteed Student Loan Program, renamed the Federally Insured Student Loan Program. Additionally the Student Loan Marketing Corporation was established (popularly known as Sally-Mae) to expand the availability of F.I.S.L. program loans at lending institutions by providing a secondary market for student loans supported by the government. Finally the amendments created the State Student Incentive Grant program, designed to provide matching funds to states which provide scholarship programs for students, thereby increasing at still another level opportunities for student financial aid.

Beyond student aid provisions, in a total of thirty-one separate provisions, there were at least eight other major federal initiatives that stamp the 1972 Amendments with significance:

1. Proprietary (profit making) schools were made eligible to receive most forms of federal student assistance. This provision roughly tripled the number of institutions eligible for federal funds and gave the proprietary sector a previously unknown degree of legitimacy. It is this provision that resulted in the use of the term postsecondary education.

2. An Education Division was established with the Department of Health, Education and Welfare, headed by an Assistant Secretary for Education, centralizing responsibility for federal educational programs.

3. Title IX of these amendments established bans on sex discrimination in graduate and undergraduate programs at all public colleges.

4. As a part of Title XII of these amendments, states were encouraged to establish or designate a state agency responsible for state-wide planning in postsecondary education. Public, private and proprietary institutions were to be represented.

5. The National Institute of Education was established to centralize federal research in education and to collect and disseminate research findings.

6. The Secretary of Health, Education, and Welfare was authorized to create the Fund for the Improvement of Postsecondary Education (FIPSE) to encourage innovation and improvements in postsecondary education.

7. The National Commission on the Financing of Postsecondary Education was created to provide research on financing postsecondary education.

8. As a part of Title IV, the student aid provisions, general operating support was authorized to aid institutions directly based on the extent of

federal aid to students at a given institution. No funds have ever been appropriated for this provision; however it is a part of the overall statute. (13)

All of these provisions were passed in 1972; however in a continuing struggle between the Congress and the Nixon and Ford administrations, funding for many of the provisions was not requested, or it was appropriated at reduced levels which mitigated to some extent the intended effects of the student aid provisions. It is only in fiscal 1978 that most of the programs have had appropriations somewhere near their intended level. And it is only with the Carter administration requests for fiscal 1979 that they are proposed for extensive expansion. Thus it is only in the last two years that increased appropriation for the 1972 Education Amendments has demonstrated their significance and impact on institutions as major federal policy initiatives.

In 1976 the Congress passed the 1976 Higher Education Amendments and they were signed by President Ford. These provisions extended and revised the Higher Education Act of 1965, the Vocational Education Act of 1963, the National Defense Education Act of 1958, and the Education Amendments of 1972. Except for technical amendments, no further major initiatives were undertaken by these amendments. They have acted instead to extend the current policy enacted through previous legislation into the decade of the 1980's.

Federal Student Aid Appropriations Office of Education Programs By Fiscal Year (Actual)	1972	1973	1974	1975	1976	1977	1978*[1.]	1979#	in million
BEOG	---	122,000	475,000	660,000	1,325,800	1,692,200	2,160,000	2,177,000	
SEOG	220,300	210,876	210,300	240,300	240,093	250,093	270,093	270,093	
College Work Study	426,600	274,498	270,300	420,000	390,000	390,000	435,000	450,000	
NDSL	316,584	568,195	286,000	321,000	331,960	323,220	325,660	304,400	
SSIG	-----	-----	19,000	20,000	44,000	60,000	64,750	76,750	
Guaranteed Loans (GSLP including FISL and HPSLP) Interest	196,600	245,000	310,000	382,400	452,000	334,354	281,198	532,313	
Guaranteed Loans (FISL) in Default	12,765	46,640	88,668	197,600	201,787	32,312	208,965	193,501	
								+ 1,200,000	divided among BEOG, CWS & FISL
TOTALS	1,172,849	1,467,009	1,659,168	2,241,300	2,985,640	3,082,179	3,745,666	5,204,057	

* Estimated
\# Requested
1. Includes Supplemental Requested.

Source: Chronicle of Higher Education
1/30/78, 1/24/77, 1/26/76
2/10/75, 2/11/74, 2/5/73

II: THE IMPACTS OF CURRENT POLICY

It is clear from the preceding section that the federal government now has a vital and significant impact on higher education in the United States. Moreover, the general political climate suggests that the impacts of current policy will persist, and very possibly expand. Student aid programs designed to promote equal opportunity for attendance at postsecondary educational institutions continue to enjoy public and congressional support. This nation continues to support an educational policy committed to pursuing equity in the opportunity for personal advancement.

Let us now examine the significance of the federal government's increased levels of support for higher education in the last decade, specifically, the significance of current policy at the campus level, and the implications of that policy for the entire system of higher education.

On the Campus: Dollar Impact

Although the aggregate figures of federal dollar support sound impressive, they also have a remoteness at the campus level. Most academic personnel are aware of federal appropriations in support of research and specialized training programs; but there is a tendency among those not directly connected with securing federal funds to consider these programs only superficially connected with the entire institutional enterprise. Those more directly connected with federal programs of institutional support certainly understand that the seemingly insular funding of particular programs does in fact reach beyond program enclaves by reason of the portion in each program grant which is allotted to administrative overhead and

institutional indirect costs. Those funds help to support increased administrative staffing necessary for recordkeeping and institutional compliance with myriad federal regulations.

Leaving aside specialized programs, does the increased level of federal support of the last decade really impact the campus? There is a startling contrast between the remoteness of program and research funds and the massive amounts of federal dollars devoted to student assistance funding. Federal support in this area is indirect, for student assistance dollars are channeled through students who receive funds from the federal government in the form of grants and loans and then return it to the institution in the form of tuition or housing costs. The level of this funding is unprecedented. Consider the following facts:

1. In fiscal year 1978 the U.S. Office of Education has allocated $4.2 billion to student assistance programs. (14) These programs include: Basic Education Opportunity Grants (BEOG), Supplemental Education Opportunity Grants (SEOG), College Work-Study (CWS) Grants, National Direct Student Loans (NDSL), Federally Insured Student Loans (FISL), and State Student Incentive Grants (SSIG).

2. In addition, the Veteran's Administration reports expenditures of $3.2 billion last year for postsecondary education costs of veterans; the Social Security Administration likewise reported $1.2 billion for Social Security education benefits. Their expenditures for the current year (fiscal 1978) are likely to be similar (15) although the number of eligible veterans is shrinking as Vietnam becomes more remote history.

3. Thus, a total exceeding $8.6 billion for fiscal 1978 in federal funds is being channeled directly to college students for their education

expenses. An estimated one-third to one-half of this amount is spent by students on tuition and fees (depending on how expensive the individual institution's tuition and fees); the balance goes to living expenses.

4. If total income from tuition and fees for all colleges and universities in fiscal 1978 can be projected to be $9.1 billion, (16) then it can be estimated that the federal government is the indirect source of at least one-third and perhaps as much as one-half of the tuition and fee income at any given college or university! For private institutions this is an especially significant finding, since close to 40 percent of their total revenues, on the average, are from tuition and fees. For public institutions, tuition and fees average about 15 percent of total revenues. (17)

Reducing the overall figures to a per student number gives these facts a startling clarity. If the student aid expenditures from the Office of Education, the Veteran's Educational Benefits program, and the Social Security Education Benefits programs are combined, then adjusted by subtracting the amount of funds which go to proprietary and non-postsecondary training, and reduced again for the percentage of the funds which go to students' personal living expenses (18), we can estimate a per student amount from the full-time-equivalent enrollment totals.

For fiscal year 1977, this estimate for per student federal aid for <u>tuition and fees</u> is $660 per student in private institutions and $438 per student in public institutions. In addition, the remainder of student aid funds--i.e., funds allocated for living expenses--awarded to students in colleges and universities, when averaged over a full-time-equivalent enrollment of approximately 8,800,000 students in fiscal year 1977, gives an additional federal student aid award of $390 per

student. For those who use college-run facilities for room and/or board, all of this $390 award returns to the college through charges for living quarters and/or meals. For non-residential students, this money would not enter the collegiate coffers.

To summarize these per student figures: the average amount per full-time-equivalent student which a private college or university received in 1977 was a minimum of $660 (non-residential students) and a maximum of $1,050 (residential) from federal student aid funds via tuition/room/board fees from the student. The average amount per full-time-equivalent student which a public college or university received ranged from $438 (non-residential) to $828 (residential) in federal student aid funds.

These figures demonstrate dramatically that the federal government's student aid programs channel huge sums to colleges and universities at the campus level. As a point of contrast, consider the amount of money derived from donors, private gifts and other benefactions. In fiscal 1975, this amounted to $1.7 billion (19); tuition and fees that year amounted to $7.2 billion. Applying the rule-of-thumb used above concerning the amount of tuition derived indirectly from federal money, we obtain a range of $2.2 billion to $3.6 billion dollars (30% and 50% respectively of $7.2 billion dollars). In other words, without even considering federal funds for

research and specific programs, it is clear that federal support through student aid funds contributes significantly more to colleges and universities than does the total given to colleges and universities by the entire philanthropic community of the United States. Few institutional budgets today could withstand the evaporation of federal aid to students without drastic cuts in current programs.

On Campus: Impact of Federal Student Aid Processes

Beyond the sheer size of the federal appropriations channeled through student aid, additional impacts are created by the method by which this money is allocated to students and institutions. The current policy for distributing federal funds for student aid has these general features: most of the funds (from the Office of Education, not the Veterans Administration or Social Security payments) are distributed through the Basic Education Opportunity Grant program. Awards of grants are made according to two criteria: the student's financial need and the costs of the institution which the student attends. The student's need is estimated from facts concerning the financial status of the student's parents (for those students still counted as dependents on their parents' federal income tax forms) or on facts concerning the student's own financial status (for students who have become financially independent from their parents). The second criterion--educational costs of attendance at a particular college--is determined by the financial aid officer of each postsecondary institution, and reflects average living expenses as well as tuition costs at any given institution.

The result of this allocation policy, which emerged as a compromise between a number of alternatives proposed during the adoption of the legislation and subsequent implementation by Office of Education officials, is that B.E.O.G.

grants are larger for low-income students and for those who are attending more expensive institutions.

There are also three additional factors that come into play during the awarding of any B.E.O.G. grant:

1. There is a maximum size of the B.E.O.G. grant each year; without regard to how poor the student or how costly the institution, currently in fiscal 1978 this amount is $1600. It was raised from $1400 only in this most recent fiscal year.

2. Arbitrarily set "cut-off" points apply to the income level of the family of a dependent student. These "cut-off" points determine the size of the B.E.O.G. grant, from a low point of $250 to the maximum of $1600. Family income levels above $16,000 annually, subject to adjustments, normally exclude dependent students from B.E.O.G. grants.

3. A B.E.O.G. grant to any student can never exceed 50 percent of the total cost of attending a particular school in a particular year.

Note: The Carter administration proposals recently sent to Congress would increase the maximum size of the B.E.O.G. grant to $1800 per year and increase the "cut-off" limit on annual family income to $25,000, guaranteeing the minimum award of $250 to students whose families earn from $16,000 to $25,000 and increasing the amounts of B.E.O.G. grants to other students at other "cut-off" points.

How does the current policy of providing student aid affect individual institutions? Although as yet no hard data exists to trace the effects empirically, it is easy to surmise that students who might enroll at any given institution might be affected in several ways.

Composition of student bodies

First, the probable distribution of students by socio-economic class bears examining. Students from families with incomes below the poverty line will be able to attend moderately-priced institutions much more easily than before. However, students from the most impoverished homes will be unable to attend any but the least expensive institutions. Students from middle income families without benefit of special circumstances entitling them to deductions may well be ineligible for any grant aid and may thus be obligated to attend a less expensive institution. William D. Hyde, Jr., Executive Secretary of the National Academy of Education, puts it this way:

> A needy student who chooses to attend a low or no tuition school can have all his direct costs covered by the B.E.O.G., but if the same person decides to attend another school that charges several thousand dollars for tuition, the student's full B.E.O.G. would cover less than half his costs. For some students the net effect is access only to particular schools, but access with limited choice is only partial access. (20)

The numerous institutions that traditionally have drawn their student body in large measure either from the middle class whose income is just slightly over the cut-off point, or from poorer families who, given current policies, can afford to attend only low-cost schools, may be forced to invest a larger proportion of institutional funds in student grants in order to serve their traditional clientele.

Students from upper income families are not eligible for B.E.O.G. funds; these funds fail to serve as any kind of incentive for post-secondary attendance of upper income students. Since lower income students have been and will be receiving an additional incentive, the proportion of upper income students might well decline in proportion to the lower income students. Accordingly, the percentages attending postsecondary education from the two groups likely will converge

and may even off. In 1972, approximately 86 percent of those with high ability from the upper income groups attended postsecondary institutions while only 64 percent of those with high ability from the lower income groups did. But there is some evidence that a leveling off is beginning to occur. Between 1970 and 1975, the attendance rate among high income families (over $20,000) fell by 3.9 percent while the attendance rate among low income families increased by 13.6 percent. (21) The composition of institutional student bodies may well be changing as a function of federal student aid policies.

Another factor in the current federal aid policies that may affect the composition of institutional attendance is the loan program. The federal government provides loans to students, (National Direct Student Loans (N.D.S.L.), known until 1972 as National Defense Student Loans) in addition to the outright grant programs. The government also insures loans, under the Federal Insured Student Loan (F.I.S.L.) program, which the students receive from banks and certain non-profit institutions. Interest charges on these loans are deferred until the student completes his education. Loan funds are available to students whose family income level is too high to qualify them for a B.E.O.G. grant, as well as to those from lower income levels. The effects of these loan programs on colleges and universities are complex.

First, students with N.D.S.L. loans stand in a different relationship with their college or university which is required to determine the student's financial need, maintain files on addresses and payment records, and take necessary steps to insure payment and/or collection on the N.D.S.L. loan. Consequently, the institution becomes not only the student's mentor, but also his creditor.

Second, in the last few years, Office of Education officials, the Secretary of Health, Education and Welfare, and congressional leaders have placed increased emphasis on what appears to be a large increase in the default rate on all types of federal loan programs. The 1976 Higher Education Amendments contained a provision designed to prohibit the discharge of student loan repayment obligations through bankruptcy for a period of five years after the student has completed his course of study. The Department of Health, Education and Welfare has issued tighter regulations on recordkeeping and tied the annual funding of institutional requests for N.D.S.L. funds to the default percentage at any given institution. Subsequently institutions have been required to maintain increasingly accurate records and to maintain or contract for collection services at the institutional level to keep the default rate in line and federal loan funds flowing through the institution. It remains to be seen what affect these new regulations will have on the student and his perceptions of the institution after graduation when institutions have striven to cultivate their graduates as loyal supporters and benefactors, not as debtors in default.

Administration of institutions

In addition to the ways that federal student aid policies affect the composition of the student body and the educational relationships between the institutions and its students, federal funding of student aid programs has affected the administration of institutions. Office of Education dollars for students are awarded through institutions; that is, even though the student is responsible for the application for aid, and even though the student may spend a good part of that aid for personal living expenses, the federal monies are sent directly to the institution.

According to the agreement which colleges must sign in order for their students to receive federal aid, the colleges are responsible for a variety of recordkeeping and student information services. Thus additional staff has been needed to handle paper flow and, because the forms for receiving the financial aid are quite complicated, to assist students in preparing their applications. Yet only under the Supplemental Educational Opportunity Grants, College Work-Study, and N.D.S.L. Loan programs has any administrative cost been allowed and the maximum for this purpose has been 4 percent of the funds granted to an institution. (22) No such allowance accompanies the massive paperwork tied to the B.E.O.G. program.

Another "ripple effect" of federal student aid dollars on institutions is to be found in the necessity of meeting a plethora of federal regulations and standards. Prior to the emergence of large scale federal student aid, an institution could avoid entanglements with federal regulations simply by avoiding applications for special federal contracts or programs. At present, however, the only way in which institutions can avoid receiving federal funds and subsequent regulations, is to deny its students the right to receive any of the sizeable and numerous types of federal student aid available to them--a rather untenable position towards one's prospective clients. Consequently, as the amount of student assistance funds has escalated, virtually all institutions have become subject to the pressure of meeting various federal regulations.

To speak of federal requirements is to begin with regulations prescribing how the institution must maintain records, submit evaluations and annual reports, and use certain bookkeeping standards; these are, after all, points of accountability for funding received. Beyond that threshhold, however, lie at least twelve

other areas of federal regulations and legislation, each of which specifies that any institution receiving any federal money for any purpose whatever must comply with these regulations.

The areas (identified by the American Council on Education in a 1976 special report) cover: (23)

* equal employment opportunity and affirmative action
* equal pay
* age discrimination in hiring
* minimum wages
* unemployment insurance
* social security coverage and taxation
* retirement benefits (ERISA)
* health benefits with regard to health maintenance organizations
* wage and salary controls
* occupational health and safety standards
* environmental impact statements and environmental protection
* rights for the handicapped

While the philosophy of higher learning in America would at least support in principle the intent of all these pieces of legislation, for the most part the real effect on institutions is to require an immense amount of new paperwork to substantiate practices which, in some cases, have been common practice for years. The general modus operandi of the federal agencies responsible for watch-dogging these various areas of legislation apparently is to assume that the institution may be guilty until proven innocent. Colleges and universities must, in each case,

and for each agency, prove beyond a reasonable doubt that they are in compliance with the detailed regulations. This necessity is costing institutions "as much as one-eighth to one-fourth of the general administrative costs," according to a 1976 ACE study. (24)

Summary of Policy Questions Suggested by Current Policy

Viewed from a national perspective, of even greater significance is the impact federal student aid programs are having on higher education as a whole. Moving from the campus level to the national level a series of policy questions comes into focus:

1. Since federal student aid is also available to profitmaking post-secondary institutions--the "proprietary sector"--these institutions are now playing a much more active role in the postsecondary education market. With their timely emphasis on job-related education and an array of internal policies in such areas as hiring faculty, grading students, recruiting students and scheduling classes designed for greater efficiency, this sector is bound to exert competitive pressure on the more general education oriented non-profit sector.

2. A major political impetus behind the current federal student aid policy has been the drive for equality of educational opportunity. As more students enroll from socio-economic classes which have not traditionally attended colleges and universities, what effect will this have on the demand for various curricular offerings? What effects will their presence in larger proportions have on academic traditions and practices which originated in an earlier day when virtually all of the students in higher

education were from the middle or upper classes? To what extent will faculty, themselves largely from the middle and upper classes, be able to establish the mentorship and esprit-de-corps which has been vital in producing earlier generations of scholars? What changes in instructional modes will be needed to accommodate students from lower socio-economic backgrounds?

3. The present student aid system seems to favor the relatively expensive colleges and universities (that is, the moderately priced private institutions), while penalizing both the most expensive--i.e., the most selective and costly--and the moderately inexpensive institutions--i.e., the moderately priced public institutions. Will those colleges and universities which benefit less by the present program tend to lose ground financially and academically? If so, what overall effect will this have on our higher education system?

4. What effect does the present student aid program have on the efficiency of higher education? Does the fact that present rules allow a larger grant if the institution's prices are higher have any bearing on the determination of prices by institutions? How does the addition of new staff in financial aid, financial services and loan collection sections of college administration affect institutional cost effectiveness? Are there better ways to get accountability from colleges and yet hold down costs?

5. Is it sound policy to encourage low income students to attend college without at the same time providing additional funds to enhance their prospects for success through special counseling and remedial services?

As is now evident, American colleges and universities are caught on the horns of a dilemma with regard to the federal financing of student aid. Americans believe in equal educational opportunity; only the federal government has the resources to make this belief a reality. Federal money channeled to colleges and universities must be awarded on the basis of difficult to define criteria of eligibility in order to balance the interests of students and the legitimate concerns of taxpayers. Since student aid funds are limited to less than full funding for all qualified students, criteria for determining which students receive the aid are necessary. The subsequent regulations that concern student and institutional eligibility to receive funds do tend to encroach upon the university's traditional autonomy as a self contained community. Plainly, considerable wisdom is needed just to assess the implications of current policy; even more insight is required to propose viable alternatives.

III: CURRENT POLICY ALTERNATIVES

A number of policy options for providing federal funding for higher educational opportunities have been widely discussed. Given the general public commitment to the goal of increasing equal educational opportunity, what alternatives for funding higher education are of interest to Congress at present? And what would be their consequences? Three major options seem possible at the present time. For each policy choice, there are implications at the levels of social policy, higher education as a whole, individual institutions and students themselves.

Option 2
The 1978 Carter Proposals

In February of 1978 H.E.W. Secretary Califano announced proposals for increasing the amount of funds available under the present Office of Education student aid programs. (25) However the increases are targeted to specific aspects of aid and not to a general, across-the-board increase in all aspects of the programs.

> An additional $1 billion for B.E.O.G. grants is to be spent primarily for students from family incomes of $16,000 to $25,000 (a group presently entirely ineligible for B.E.O.G.'s). Only 30 percent of the new funds would go toward increasing the grants received by students from low or moderate income families (below $16,000).
>
> A 38 percent increase in the funds for College Work-Study would create more on-campus positions for those in the over $16,000 category; Califano estimates an additional 176,000 students in this category will benefit--an increase of 86 percent over the present level of participation by students from families in the higher earning brackets. Only about 35 percent of the increased participation rate in C.W.S. would be from students in the under $16,000 brackets.
>
> An additional $327 million in Guaranteed Student Loan funds will also increase the participation of students in the over-$16,000 category by about 87 percent. Little or none of these funds are tagged for lower income recipients.

Social Policy Implications

The Secretary of H.E.W. projects that the number of financial aid awards to students under the President's proposals would nearly double. From 70 percent to 86 percent of these new awards recipients will be students in the over $16,000 category. If these projections prove accurate, this is a significant increase in the incentives for college attendance among upper-middle and upper income students. It could be speculated that the trend mentioned earlier in this paper toward more participation by lower income students may be blunted or reversed under this new distribution of funds.

Implications for the Higher Education System

The two major areas to which higher education leaders should look for significant effects of the Carter proposals are the socioeconomic composition of student bodies and the requirements for administering the program. Since the proposals are openly aimed at helping middle and upper middle class students attend college, a shift in population toward this socio-economic group might be expected.

If the administrative costs were to double for colleges and universities--due to a doubling of the number of recipients--the higher education system would undoubtedly be forced to make a much stronger plea for direct institutional aid to meet these costs. It is true that the regular Carter budget for fiscal year 1979 does contain, for the first time, provision for some administrative cost allowance based on the number of B.E.O.G. and Guaranteed Student Loan recipients. However, at a projected $4 per B.E.O.G. recipient and $10 per G.S.L. recipient, a college would have to process 1,000 B.E.O.G. students and 500 G.S.L. students in order to receive enough money to finance the salary of just <u>one</u> assistant financial aids

officer. If the average student required only one hour of office assistance (and many require much more) the miniscule character of this proposed aid is obvious.

Two of the three programs targeted to receive more money in the Carter proposals are ones which require additional administrative work--beyond basic paperwork--for the college or university: the Work-Study program and the Guaranteed Student Loan program. Work-Study funds are given to students only as they successfully complete work assignments; G.S.L. funds require contacts with a third party--normally a bank. Again, the demands on administrative capabilities of colleges and universities will be further strained at a time when the already considerable pressure for "accountability" in the use of public monies by the higher education system causes additional administrative burdens.

Implications for Institutions

The most important figure for an individual college or university in the Carter proposals may well be the projection of 3.2 million new awards to students. Translated into paperwork and student counseling for Offices of Financial Aid, this would mean more than double the students and forms to process.

On the other hand, institutions which have been offering from their own resources financial aid to needy students from families with incomes over $16,000 who did not qualify for federal aid may find a certain amount of relief for their own institutionally funded scholarship and grant programs. They may thus be free to devote more of these funds to the students from low income families whose federal aid package still is not sufficient to cover expenses of college attendance. This point would seem more relevant to private institutions with higher costs, since it is in these colleges that low income students have the most

trouble meeting their expenses even with federal assistance. However, it should be noted that each college and university would have the discretion as to whether or not to shift institutional grant funds away from upper middle income students and toward lower income students. Given the pressures of financial problems in many institutions, it may well be that funds saved from an institutional grants program will be shifted to other budget categories in the institution. In this case, lower income students would not benefit from increased institutional grants and scholarships.

Implications for Students

The particular combination of aid types available to the over $16,000 category student raises interesting issues for an individual student. The Carter proposal indicates that a grant of $250 would be available under new B.E.O.G. funding for many students in the over $16,000 category. In addition, a small amount of work-study money, and substantial amounts of loan money would be available. It is difficult to project whether a student from an upper middle income family would be induced not only to enroll but to stay longer than one semester with this very small amount of grant money. The experience of the B.E.O.G. program thus far indicates that a small grant of $250 might be an incentive for attendance at a local and inexpensive institution--probably a community college. It is unlikely that it would significantly affect attendance at four-year institutions, particularly more expensive ones.

The increase in work-study funds is not large enough to provide a significant increase in the number of students who are working five to ten hours a week at their colleges. This, in turn, could generate new kinds of student jobs

which might be a more creative use of student potential than janitorial-type student work-study positions and might provide a good introduction to various professional work experiences for students. Again, this possibility is entirely at the discretion of individual institutions and administrators.

With regard to the loan aspects of the Carter proposals, it will be interesting to see if increased funds and increased federal subsidies for interest payments will induce more students to take out loans. If so, will these new student-debtors be more or less apt to default on their loans in five or ten years than the current student defaulters? It might be projected that since better-paying jobs are still most highly correlated with socio-economic status (rather than education) the over-$16,000 category of student debtors may be less likely to default because they are less likely to have poor paying jobs.

On the other hand, students who are not really interested in higher education may be induced through an outright grant of $250 in B.E.O.G. funds to sign a loan agreement of $1200. The chances of such students finishing a degree program are not good, and it is these students who can be presumed to feel little or no obligation toward repaying a large debt for an education program which netted them little. Here, as in other areas, prudence and careful student counseling by individual financial aid officers are needed. The Carter proposals themselves do not guarantee these qualities.

Summary

The Carter proposals, from a policy viewpoint, are most significant in their tendency to shift the entire federal student aid program away from its original goal of aiding those excluded from higher education because of cost. The shift is not a radical change in the original direction of federal aid programs. Some of the

proposed additional $1.46 billion is targeted to the lower income groups. However, it is a subtle shift whose long-range impact can only be guessed. Since substantial funding of the federal student aid programs--especially the B.E.O.G.--is only three years old, it is still too early to see its effect on the socio-economic composition of college attenders. If the new proposals are implemented in the fall of 1978, the shift in direction will probably be just enough to muddy the waters as to the effect of massive federal funding for higher education of the poor.

Option 2

The Tax Credit Proposals

Several congressional attempts to get a tax credit measure passed have received high publicity this year. Regardless of the form which the final bill may take, all the proposals would allow a parent or independent student to retain an amount of at least $250 from the income tax owed, to use as a "credit" in his education. One of the proposals before Congress would allow the same benefits for costs of attending elementary and secondary private schools. This aspect of the tax credit issue is not directly related to higher education's concerns, and will be omitted in the policy analysis here.

Social Policy Implications

Since this method of funding federal priorities in social policy is almost untried, the implications for social policy are open to much more speculation. The biggest questions revolve around which classes would tend to benefit most from a tax credit. Most economists feel that the middle class would receive the most actual assistance. The wealthier class would receive, proportionate to their total taxes, a smaller credit. Low income families who paid little or no

income tax would receive no benefit from a simple tax credit plan. Does this, in effect, take away some of the benefit targeted to low income families in the present student aid program and give it to the middle class, by effectively limiting the revenues of the federal government which can be spent on education or other social welfare programs?

Another issue for the national scene is that of monitoring a program of tax credits. While parents' confidential forms are required to insure that student aid recipients are indeed needy, what controls would accompany the tax credit approach? Would this system be open to more fraud than present systems of distributing educational aid?

Implications for the System of Higher Education

If a simple tax credit plan meant that a ceiling would be set on possible tax credits, regardless of how expensive an institution was, the system might see enrollments shifted away from more expensive institutions.

Higher education institutions would also become involved with yet another federal agency--the Internal Revenue Service. The I.R.S. would likely find itself propounding detailed instructions and compliance regulations for colleges and universities.

Implications for Individual Institutions

No one as yet has estimated what administrative costs would be involved for the college or university whose students claimed tax credits on I.R.S. forms. How would the colleges and universities verify attendance, and for what periods of time in order to establish eligibility? What attendance record problems emerge?

Another--perhaps ironic--concern of an institution may be that of its grants and scholarship programs. If less federal aid can be awarded under a tax

credit plan (since the government's tax income will decrease), how does an institution inform a scholarship applicant that "we are awarding you a $250 tax credit, courtesy of the I.R.S.?" Indirectly, pressure might be placed on institutions to increase already overburdened grants programs financed by the campus.

Implications for Students

A student who has declared financial independence from her parents may find a tax credit a particularly unattractive form of aid. Most independent students are earning so little that they owe no income tax. In which case, they would also earn no tax credit. In other words, the tax credit is primarily an incentive for parents, not students, toward college attendance. While parents' ability to finance an education certainly influences a student's decision to pursue it, this is by no means a decisive factor. If the goal of federal aid to higher education is to provide incentives for attendance, one must question the helpfulness of parent incentives in this quest.

Option 3

Direct Institutional Aid

One of the most talked about alternatives, especially during the 1971 and 1972 debate over the landmark Education Amendments of 1972, was the concept of direct aid to institutions. If the $4.1 billion being spent on B.E.O.G., S.E.O.G., N.D.S.L., C.W.S.P., and F.I.S.L. programs this year were instead channeled directly to institutions of higher education, what would be the effect? An almost endless array of perplexing policy questions becomes evident. Although these issues are not presently receiving the same publicity as the Carter proposals and the tax credit issues, they will undoubtedly continue to

surface as legislative authorization expires for the present student aid programs, and as the present system comes under increasing fire with its age. Institutional aid presently appears to be a dormant--but definitely not dead--issue. Its implications should still be of significant concern.

Social Policy Implications

Most proposals for institutional aid suggest that it be awarded on the basis of some type of enrollment figures. Leaving aside the problem of specifying a common definition for a full-time student, how would such a method of distribution further the equal opportunity goal of student aid? Institutions would be receiving as much aid for enrolling a millionaire's daughter as for enrolling a welfare recipient's son. Moreover, the individual student would become even more removed from a position of personally receiving governmental aid for higher education; and this would obscure further any concept that the poor should receive more aid as a means of providing social equity opportunities. Contrast here the proposal of some that the cost of a student's education be shifted toward a given percentage of the student's future earnings over a set number of years.

An assumption of the institutional aid approach is that institutions and states would lower tuition rates to reflect at least a portion of the aid they were receiving. There appears to be some evidence that low-income students respond more favorably to lowered tuition than to student aid. (26) If this is true, institutional aid--if it triggered lower tuition--might help achieve the national goal of increased participation rates from low-income students. However, balanced with this viewpoint is the fact that the poorest students often find living expenses the prohibitive factor in financing an education. Institutional aid would not touch this problem.

Implications for the System of Higher Education

Several important questions for the nature of the higher education system are intimately connected with the issue of institutional aid. One issue is quality of education. Some persons advocate the use of federal institutional aid primarily to improve the quality of education, rather than to lower tuition. One can think of the quality issue in terms of research efforts or in terms of services to the mediocre and poor student. If either approach were implemented on a massive scale, significant changes for higher education and perhaps national directions in the future might ensue.

Another issue is the inclusion of proprietary institutions in an institutional aid program. While they are currently included in student aid programs, a different issue arises in awarding institutional aid, and that is the question of how much aid would be given. Since these institutions are profit-making, how could they be prevented from using such funds simply to expand into profit? For non-profit institutions, the question of determining costs is also problematic. If institutional aid were to be determined, at least partially, by the cost of educating students at a particular institution, what kind of pressures would be produced for all institutions to show similar costs (rising to the highest, not the lowest level). The experience of federally financed medical costs provides an unfortunate model for this effect. On the other hand, if all institutions were not under some pressure to show the same costs, to what extent can higher education justify a wide variety of costs in educating students from one institution to the next?

Lastly, the system of higher education must consider the effect on state funding levels, if institutional aid were to become a reality. Would states be irresistably tempted to shift scarce resources to other pressing needs?

Implications for Individual Institutions

Institutional aid would require an entirely new set of accountability measures for colleges and universities. How would they justify their use of these funds; to what extent would the use of aid be dictated by the government? Accountability for direct federal aid might be expected to involve the very fiber of the institution, as opposed to the present demands on accountability in distributing student aid, which touch only on determining student needs and on accounting practices.

Another thorny question is that of the constitutionality of direct institutional aid. If constitutional barriers were insurmountable, a program of direct institutional aid could become restricted to non-sectarian institutions. This would create a severe pressure on church-related colleges which might change the character of some of the nation's outstanding private institutions.

Implications for Students

If institutional aid led to the lowering of tuition at all institutions, what would be the effect on enrollments at various types of colleges and universities. Would public or private, four-year or two year, institutions benefit? If, for instance, tuition at all institutions was lowered by $500, making some colleges entirely free and reducing tuition at expensive private institutions by one-fifth or more, which socio-economic groups (if any) would begin attending in greater numbers?

Receiving direct federal aid has given students a certain sense of "consumer power" in recent years. If this aid were replaced by direct institutional aid, would students feel less able to control their own destinies in higher

education? Perhaps a gradual but significant decline in student influence in education decision-making would be felt.

CONCLUSION

As this paper is being written, it remains too early to know the outcomes of the current policy debate. In the immediate situation, it may be the case that some compromise emerges from Congressional debate which embrances one or more elements from the current policy options available. Congressman William Ford, Chairman of the House Subcommittee on Postsecondary Education, has introduced legislation that would encompass elements of each of the positions discussed, and as is evident from previous congressional action in this area, compromise and omnibus legislation are often necessary to carry a successful legislative program. There is also the possibility of congressional inaction, as the fall elections draw closer, and other legislative logjams develop. In any event, the federal role in setting policy for higher education seems likely to increase.

By this time, it should be evident that federal funding of higher education is a policy issue replete with complexities, not unlike those "deus ex machina" contraptions for the Elizabethan stage: a maze of rigs, pulleys, cogged wheels, drive shafts, and sliding bolts in which a single rope offstage is pulled, engaging myriad moving parts and the eye is baffled in following the intricate movement. In shaping federal funding policy for higher education, imagination and creativity are needed to hypothesize exactly where movement in the system will result from a given decision. Imagination and creativity applied to complex problems has always been the contribution of higher education. Perhaps more than ever before, higher education needs the wit and wisdom of the academy to determine not only the direction of individual academic disciplines--as in the past--but of the entire higher education enterprise itself. Such decisions are now inextricably bound up with the social goals of our society and the complex involvement of big government in

achieving them. The academy must do a better job of analyzing these complicated issues and in proposing policies that will benefit higher education and its diverse clientele. Without such participation on the part of many members of higher education, the independence of the academic community may be endangered from an unexpected quarter: social policy engineered at the federal level through educational funding choices.

NOTES

[1]Fredrick Rudolph, The American College and University (New York: Random House, Inc., 1962), p. 4.

[2]Edgar Bruce Wesley, Proposed: The University of the United States (Minneapolis: The University Press, 1936), pp. 3, 67.

[3]Richard G. Axt, The Federal Government and Financing Higher Education (New York: Columbia University Press, 1952), p. 27.

[4]Douglas M. Knight, ed., The Federal Government and Higher Education (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1960), p. 42.

[5]Fredrick Rudolph, op. cit., pp. 252-254.

[6]Alice Rivlin, The Role of the Federal Government in Financing Higher Education (Washington: Brookings Institution, 1961), p. 20.

[7]Ronald A. Wolk, Alternative Methods of Federal Funding for Higher Education (Berkeley: McGraw Hill Book Co., Inc., 1968), p. 14.

[8]Richard G. Axt, op. cit., p. 129.

[9]Alice Rivlin, op. cit., p. 72.

[10]Homer D. Babbidge, Jr., and Robert M. Rosenzweig, The Federal Interest in Higher Education (New York: McGraw-Hill Book Co., Inc., 1962), p. 50.

[11]Earl F. Cheit, The New Depression in Higher Education (New York: McGraw-Hill, 1971).

[12]Lawrence E. Gladieux and Thomas R. Wolanin, Congress and the Colleges (Lexington: Lexington Books, 1976).

[13]Chronicle of Higher Education, Vol. VI, No. 4 (Oct. 30, 1972), p. 2.

[14]Student Financial Aid: 1977-78 Handbook (Washington, DC: HEW Government Printing Office, 1977), p. 1-1.

[15]Congressional Budget Office, Postsecondary Education: The Current Federal Role and Alternative Approaches (Washington, DC: U.S. Government Printing Office, 1977), p. 3.

[16]Estimated by adding an 8 percent yearly increase to the 1975 total of $7.2 billion quoted by Vance W. Grant and C. George Lind, Digest of Education Statistics: 1976 Edition (Washington, DC: Department of Health, Education and Welfare, 1977), p. 132.

[17]James R. Didham, et al., Limited Growth in Higher Education: Indicators, Impacts, and Implications (Ann Arbor: Center for the Study of Higher Education, 1976), p. 34.

[18]These adjustments are based on percentages of funding going to non-profit-making, post-secondary educational institutions (sources: Congressional Budget Office, op. cit., p. 37; and The Fiscal Year 1979 Federal Budget and the Outlook for Student Assistance Programs (Washington, DC: The College Board, Washington Office, 1978), p. 7)). Estimates for amounts of funding spent by students on living expenses are based on average prices of tuition at private and public institutions (Grant and Lind, op. cit., p. 139); percentage of funds awarded to private and public institutions (Congressional Budget Office, op. cit., pp. 35 and 37); and estimated per student awards in various Office of Education programs (Fiscal Year 1979 Federal Budget and the Outlook for Student Assistance Programs, op. cit., pp. 5, 7, and 9).

[19]Grant and Lind, op. cit. p. 132.

[20]William D. Hyde, Jr., "Student Financial Aid for Higher Education," Proceedings of the National Academy of Education (Vol. 2, 1975),(n.p.: The National Academy of Education, 1975), p. 74.

[21]Congressional Budget Office, op. cit., p. 22.

[22]Student Financial Aid: 1977-78 Handbook, op. cit., pp. 5-20.

[23]Carol Van Alstyne and Sharon L. Coldren, The Costs of Supplementary Federally Mandated Social Programs at Colleges and Universities (Washington, DC: American Council on Education, 1976), p. iv.

[24]Ibid., p. v.

[25]Anne C. Roark, "Carter Backs Plan to Boost Student Aid," The Chronicle of Higher Education, Vol. XV, No. 22 (February 13, 1978), p. 1.

[26]Congressional Budget Office, op. cit., p. 16.

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